Grattan proven wrong on SG increase: Average worker to end up with $50,000 more than Grattan claims

Thursday 10 October 2019

An average worker will end up with nearly $20,000 more over their lifetime if the super guarantee increases to 12 per cent – around $50,000 more than the Grattan Institute's flawed and misleading analysis claims.

New analysis by former senior Treasury officials Phil Gallagher PSM and Bruce Bastian has found that not only are the Grattan Institute's claims based on dubious assumptions that don't stack up, there is no Australian evidence to support claims that an increase in super contributions will result in an equivalent reduction in wages.

While the Grattan Institute has used flawed modelling to claim that an increase in super contributions will leave an average worker $30,000 worse off over their life, new analysis confirms they are around $50,000 off the mark.

Industry Super Australia's (ISA) modelling shows an average worker would in fact end up with $18,100 in extra income over their life, while a married couple on average full-time wages – which the Grattan Institute didn't model as they do not analyse women or couples – would have an extra $44,300 in income over their lifetime.

For above average earners, an increase in super contributions to 12 per cent could see a couple's lifetime income boosted by more than $100,000.

ISA's analysis of the association between wages and the super rate shows the potential effect an increase to 12 per cent could have on a person's working life income is less than one per cent.

This is in contrast to the significant lift of up to 10 per cent in a person's annual retirement income that would occur as a result of an increase in super contributions.

This is because there is no demonstrated equivalent trade-off between super and wages, and the small potential reduction that could exist is readily offset by the greater compound interest that will be earned on increased super contributions, which will result in much higher incomes in retirement.

Any small potential impact on wages would be further offset by increases in the amount of personal tax paid – because super is taxed less than wages – and the impact it would have on family tax benefits, making very little difference to a person's working life income. This means workers will end up benefitting from a bigger total remuneration package than they would without the increase.

Further analysis of historical Fair Work Commission decisions has also found no evidence that there is a full trade-off between wages and super increases. There is also the fact that the super rate has increased by only half a per cent in the last seventeen years while wages have gone through various stages of growth.

The Grattan Institute's modelling assumes everybody works continuously from age 30 until they retire, before dropping dead at 92. They ignore the three million workers who are currently working intermittently and those not receiving super, particularly in casual and part-time jobs, or taking maternity leave or other career breaks.

Comments attributable to Industry Super Australia Chief Executive Bernie Dean

"The evidence is clear. Workers will end up with far more money in their pocket over their lifetime if the super rate increases as promised."

"The claims made by the Grattan Institute are based on a fantasy world that doesn't exist. What's not a fantasy is the impact cutting the super increase would have on people in retirement. They would end up with less to support themselves and their family, while everyone would pay to support more people on the pension."

"There is no Australian evidence to support claims there is an equivalent trade-off between wages and super. This clearly shows that if super increases, workers will end up with more money over their life – not less."

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